LOSS PREVENTION IN THE SUPERMARKET

Function, Organization and Store Procedures

Special Research Report Number 35

April 1984

Food Marketing Institute
Research Division
1750 K St., N.W.
Washington, D.C. 20006

Price: $2.50 Member
$5.00 Nonmember

The Food Marketing Institute (FMI) is a non-profit association that conducts programs in research, education and public affairs on behalf of its 1,300 members--food retailers and wholesalers and their customers in the United States and overseas. FMI's domestic member companies operate over 17,000 retail food stores with a combined annual sales volume of $130 billion--half of all grocery sales in the United States. More than three-fourths of FMI's membership is comprised of independent supermarket operators or small regional firms. Its international membership includes more than 100 members from 37 nations.

EXECUTIVE SUMMARY

The typical person in charge of loss prevention in food retail companies is likely to have the title of director of security or loss prevention. Smaller companies are more likely to have the president or owner of the company (18 percent), or no one (15 percent) specifically responsible for loss prevention. Whereas, larger companies will usually have one designated person handling loss prevention.

Only half of the responding companies listed a specific budget for their departments. The average percentage allocated to security was .19 percent of sales.

Whether security training is provided and what type of training procedures are used differs greatly from position to position and company to company. For example, 20 percent of the companies provide security training for guards, and this usually involves in-house classroom teaching. Thirty-one percent of the companies provide training for detectives, usually consisting of on-the-job training. And 54 percent of the companies provide security training for store managers, usually in the form of seminars or workshops.

Companies were given a list of 30 areas of responsibilities and asked to categorize them into three groups: sole responsibility of loss prevention, shared responsibility with loss prevention, and responsibility of another department. Four areas which were listed as being the sole responsibility of loss prevention in at least 70 percent of the companies, were surveillance equipment, guard service, security training practices and investigations.

Theft was thought to be the prime culprit when considering all store losses. When looking at only theft, the biggest contributor was thought to be employee or internal theft, followed by shoplifting. Companies usually try to prosecute all theft, whether it is caused by employees, vendors, or customers. Fifty-four percent of the companies reported a 90 to 100 percent success rate when they do prosecute.

Preventive measures that companies may employ in their supermarkets include mystery shoppers, 64 percent of the companies use mystery shoppers in all stores; store detectives, 39 percent of the companies use detectives in all stores; mirrors, and employee literature.

TABLE OF CONTENTS

	Page
Executive Summary	iii
Introduction	1
Methodology	1
Participants	1
Organization and Functions	2
Title and Reporting Structure	2
Education and Experience	5
Budget	6
Training and Testing	7
Involvement in Security	12
Attitude Toward Security	12
Responsibilities	13
Supermarket Procedures and Controls	17
Store Losses	17
Prosecution Policy and Rate	19
Mystery Shoppers, Guards and Detectives	21
Preventive Measures	25
Parking Lots	27
Appendix	29
Tables of Contents of Related Publications Available From FMI	29

INTRODUCTION

The loss of goods in the supermarket retail industry, whether it is due to damage, theft or spoilage, is of great importance to the food retail industry. Because of the importance of inventory shortage, Food Marketing Institute decided to issue two companion reports. The first report entitled "Inventory Shortage in Food Retailing and Wholesaling," is from the vantage point of the internal auditor and was published in December 1983. This is the second report focusing on supermarket shortage. It represents the view point of the person responsible for security and loss prevention.

The first report is available from the FMI Publications Department at $2.50 for members and $5.00 for non-members. The table of contents for that first report appears in the appendix to this report. A table of contents is also presented for FMI's Supermarket Security manual. This is a complete training manual for establishing and managing the security function available for $50.00 for members and $100.00 for nonmembers.

Methodology

During the winter, 1983-1984, a loss prevention questionnaire was sent to each U.S. and Canadian FMI member. The survey focused on the responsibilities of the person in charge of loss prevention for the supermarket and the procedures for controlling the losses in the supermarket. The answers to the questions were designed to:

* provide a profile of the person who has chief responsibility for loss prevention, including title, reporting structure, education and functional areas;

* describe the training and education for those in the loss prevention department; and,

* present store procedures and measures involved in controlling store loss.

Participants

The questionnaires were directed to the Director of Loss Prevention of retailers in the United States and Canada. Completed surveys were returned by 142 companies. The following chart shows the profile of the companies by the number of stores they operate.

TABLE 1

PROFILE OF PARTICIPANTS
BY NUMBER OF STORES
****

		100%
Total Companies		142
Store Count		
		18%
1		26
		32%
2-10		45
		27%
11-49		38
		15%
50-100		21
		8%
200+		12

ORGANIZATION AND FUNCTIONS

Title and Reporting Structure

Companies were asked the title and the reporting structure for the person with chief responsibility for loss prevention. Generally, the title chosen for this person is more likely to be either director of security (15.5 percent) or director of loss prevention (14.8 percent). However, for larger companies, those with 50 or more stores, these titles together with the titles of manager of loss prevention or manager of security, are selected by over three quarters of the companies for the person who has chief loss prevention responsibility, see table 2.

Smaller companies, those operating 10 or fewer store, are more likely to have the president or owner of the company (18 percent), or no one (15 percent) specifically responsible for loss prevention.

TABLE 2

TITLE OF PERSON WITH CHIEF RESPONSIBILITY
FOR STORE LOSS PREVENTION

	TOTAL	STORE COUNT 1	2-10	11-49	50-100	100+
TOTAL	142 100%	26 100%	45 100%	38 100%	21 100%	12 100%
President	9.2	30.8	11.1	0	0	0
VP, Risk Management	.7	0	0	0	0	8.4
VP, Loss Prevention	4.2	0	2.2	5.3	9.5	8.3
VP, Security	2.1	3.9	0	2.7	4.8	0
VP, Other	3.5	7.7	4.5	2.6	0	0
DIR, Loss Prevention	15.5	0	13.3	31.6	14.3	8.3
DIR, Security	14.8	3.9	4.5	15.8	42.8	25.0
DIR, Operations	3.5	3.8	4.5	5.3	0	0
DIR, Other	1.4	0	0	2.6	0	8.3
MGR, Loss Prevention	7.8	0	2.2	10.5	14.3	25.0
MGR, Security	9.2	3.8	4.4	15.8	9.5	16.7
MGR, Operations	.7	0	0	2.6	0	0
Store Manager	5.6	15.4	8.9	0	0	0
General Manager	1.4	7.7	0	0	0	0
Manager, Other	1.4	3.8	2.2	0	0	0
Security, Other	3.5	0	8.9	0	4.8	0
Quality Control	.7	0	2.2	0	0	0
Other	6.3	0	17.8	2.6	0	0
None	8.5	19.2	13.3	2.6	0	0

The immediate supervisor of the chief loss prevention person in this survey carried a wide variety of titles varying from company to company. Those with loss prevention or security in their title name can report to the President or owner of the company (28 percent), the vice president of finance or controller (17 percent), the vice president of operations (16 percent), or other vice presidents (12 percent). Few report to a manager, director or executive vice president, each 7 percent. For all completing the survey, the president (33 percent), the vice president of operations (12 percent), the vice president of finance or controller (11 percent), are more likely to have the loss prevention person reporting to them. Table 3 presents the results for the reporting structure.

The last column presents the percentages for those companies with a position specifically dedicated to loss prevention. All those positions with either "security" or "loss prevention" in the title name are represented in this last column throughout the report.

TABLE 3

THE CHIEF LOSS PREVENTION PERSON REPORTS TO:

		STORE COUNT					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
TOTAL	129 100%	21 100%	38 100%	37 100%	21 100%	12 100%	81 100%
President/CEO	33.3	33.3	47.4	21.7	38.1	16.7	28.4
Executive VP/Senior VP	7.0	4.8	2.6	13.5	9.5	0	7.4
VP, Operations	12.4	0	10.5	27.0	9.5	0	16.1
VP, Finance/Controller	10.9	0	5.3	5.4	19.1	50.0	17.3
VP, Administration	1.6	0	5.3	0	0	0	1.2
VP, Other	8.5	4.8	5.3	18.9	4.8	0	12.3
Director	4.7	0	0	2.7	19.0	8.3	7.4
Manager	6.2	9.5	2.6	10.8	0	8.3	7.4
Not Applicable	10.8	42.8	13.1	0	0	0	0
Other	4.6	4.8	7.9	0	0	16.7	2.5

Education and Experience

The background of the typical executive with loss prevention responsibility is often in the area of operations (43 percent). However, those executives who are either directors, managers or vice presidents specifically of loss prevention or security, will more often come from law enforcement. Table 4 shows the background of the loss prevention person.

TABLE 4

BACKGROUND OF THE CHIEF LOSS PREVENTION PERSON

		STORE COUNT					
	TOTAL	1	2-10	11-49	50-100	100+	Security L. Prev.
TOTAL	115 100%	13 100%	35 100%	35 100%	20 100%	12 100%	78 100%
Professional Law Enforcer	32.2	15.4	17.2	31.4	60.0	50.0	46.2
Operations	43.5	69.2	57.1	42.9	20.0	16.7	28.2
Academic, Criminology Student	13.0	0	11.4	17.1	20.0	8.3	17.9
Other	11.3	15.4	14.3	8.6	0	25.0	7.7

Budget

Only half of the companies responding to the survey gave a loss prevention budget as a percentage of total annual sales. For those companies responding, the average percentage allocated to security was .19 percent of sales. Sixty percent of those companies who answered this question had a budget of 0.10 percent or less. Included within that were twenty-two percent who said they had no formal budget. Those who had no defined budget tended to be in the smaller companies. Twenty percent of the companies had a budget between 0.06 - 0.10 percent of sales. Seventeen percent had a lower budget, of less than 0.06 percent, see table 5.

TABLE 5

PERCENT OF SALES BUDGETED FOR LOSS PREVENTION

		STORE COUNT					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
TOTAL	73 100%	18 100%	20 100%	20 100%	11 100%	4 100%	44 100%
0%	21.9	33.3	35.0	5.0	18.2	0	11.4
0.01-0.05%	17.8	22.2	10.0	20.0	27.3	0	22.7
0.06-0.10%	20.5	11.1	20.0	25.0	36.3	0	22.7
0.11-0.15%	5.5	0	5.0	5.0	9.1	25.0	6.8
0.16-0.20%	4.1	0	5.0	10.0	0	0	4.6
0.21-0.25%	5.5	11.1	5.0	5.0	0	0	4.5
0.26-0.50%	13.7	11.1	15.0	15.0	9.1	25.0	15.9
0.51-0.75%	1.4	0	5.0	0	0	0	2.3
0.76-1.00%	8.2	5.6	0	15.0	0	50.0	9.1
More than 1.00%	1.4	5.6	0	0	0	0	0
MEAN	.19%	.33%	.10%	.15%	.09%	.50%	.14%

Training and Testing

Companies divided almost equally between those who had and those who did not have loss prevention training manuals for their employees. Larger companies are more likely to have manuals than smaller companies, see table 6.

TABLE 6

COMPANIES WITH A LOSS PREVENTION TRAINING MANUAL

		STORE COUNT					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
TOTAL	142	26	47	37	21	11	79
	100%	100%	100%	100%	100%	100%	100%
Yes	47.2	19.2	34.0	54.1	71.4	100	70.9
No	52.8	80.8	66.0	45.9	28.6	0	29.1

Companies were asked if they provided formal security training for their guards, detectives or store managers. For guards, the majority of companies do not provide formal training programs. Again, larger companies are more likely than smaller companies to have programs. Of those who do have training programs, these programs will probably consist of on-the-job training (16 percent), in-house/classroom courses (26 percent), or manuals (17 percent), see table 7.

TABLE 7

PERCENTAGE OF COMPANIES WHICH PROVIDE
FORMAL SECURITY TRAINING FOR GUARDS AND TYPE OF TRAINING

		STORE COUNT					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
TOTAL	122	23	39	34	16	10	63
	100%	100%	100%	100%	100%	100%	100%
Yes	19.7	4.3	7.7	29.4	43.8	30.0	34.9
No	80.3	95.7	92.3	70.6	56.2	70.0	65.1
Of those who said yes:							
On-the-job	16.1	0	33.4	30.0	33.4	0	28.6
Classroom/In-house	26.1	0	33.3	20.0	33.3	33.4	28.6
Manuals	17.4	0	0	20.0	33.3	0	19.0
Seminars, Workshops	8.7	0	33.3	0	0	33.3	4.8
Other	21.7	100.0	0	30.0	0	33.3	19.0

When comparing tables 7 and 8, it is evident that detectives are more likely to receive formal security training than guards. This training may consist of outside classes (69 percent), on-the-job training (37 percent), in-house classes (20 percent), manuals (15 percent), or seminars (10 percent). This may add to more than 100 percent because some companies offer a variety of programs, see table 8.

TABLE 8

PERCENTAGE OF
COMPANIES WHICH PROVIDE FORMAL SECURITY
TRAINING FOR DETECTIVES AND TYPE OF TRAINING

		STORE COUNT					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
TOTAL	131 100%	23 100%	43 100%	36 100%	19 100%	10 100%	71 100%
Yes	31.3	4.3	16.3	41.7	57.9	70.0	53.5
No	68.7	95.7	83.7	58.3	42.1	30.0	46.5
Of those who said yes:							
Academic	2.5	0	14.3	0	0	0	2.7
On-the-job	37.5	0	71.4	26.7	40.0	28.6	37.9
Classroom/In-house	20.0	0	14.3	26.7	10.0	28.6	18.9
Manuals	15.0	0	0	26.7	20.0	0	16.2
Seminars, Workshops	10.0	0	0	6.6	10.0	28.5	10.8
Meetings	5.0	0	0	0	10.0	14.3	5.4
Other	10.0	100.0	0	13.3	10.0	0	8.1

Companies usually give store managers formal training in loss prevention. This training is most likely to be in the form of seminars or workshops. Forty-eight percent of the companies provide these for their store managers, see table 9.

TABLE 9

PERCENTAGE OF
COMPANIES WHICH PROVIDE FORMAL SECURITY
TRAINING FOR STORE MANAGERS AND TYPE OF TRAINING

		STORE COUNT					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
TOTAL	143 100%	28 100%	45 100%	37 100%	22 100%	11 100%	79 100%
Yes	53.8	35.7	48.9	56.8	68.2	81.8	64.6
No	46.2	64.3	51.1	43.2	31.8	18.2	35.4
Of those who said yes:							
Academic	1.4	0	4.8	0	0	0	2.0
On-the-job	8.2	0	4.8	10.0	20.0	0	12.0
Classroom/In-house	11.0	0	4.8	15.0	20.0	11.1	16.0
Manuals	9.6	12.5	9.5	15.0	6.7	0	8.0
Seminars, Workshops	48.0	50.0	52.4	50.0	33.3	55.6	44.0
Readings, Articles	2.7	0	4.7	0	6.7	0	2.0
Meetings	12.3	12.5	14.3	5.0	6.7	33.3	12.0
Other	6.8	25.0	4.7	5.0	6.6	0	4.0

A little over one third of the companies utilize pre-employment testing for honesty and fewer offer pre-testing for violent reaction in a stress situation (6 percent), see table 10.

TABLE 10

PERCENTAGE OF COMPANIES WHICH UTILIZE
SOME FORM OF PRE-EMPLOYMENT TESTING FOR:

		STORE COUNT					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
TOTAL	129	24	42	33	20	10	73
Honesty	36.6	29.6	46.7	26.3	38.1	45.5	40.0
Violent Reaction in a Stress Situation	6.2	8.3	7.1	6.1	5.0	0	6.8

Few companies, 24, listed any method employed to measure stress with seasoned detectives and guards. Those who did supply methods included personal evaluation, observation, supervision, testing, counseling and interviews, see table 11.

TABLE 11

STRESS MEASUREMENT METHODS WITH SEASONED DETECTIVES AND GUARDS

		STORE COUNT					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
TOTAL	24 100%	00 0	6 100%	9 100%	4 100%	5 100%	21 100%
Personal Evaluation	20.8	0	16.7	22.2	25.0	20.0	23.8
Counseling	8.3	0	0	22.2	0	0	4.8
Interview	4.2	0	0	0	25.0	0	4.8
Supervision	12.5	0	0	0	25.0	40.0	9.5
Observation	25.0	0	16.7	33.4	25.0	20.0	23.8
Outside Consultants	4.2	0	16.7	0	0	0	4.7
Testing	12.5	0	33.3	11.1	0	0	14.3
Other	12.5	0	16.6	11.1	0	20.0	14.3

High school is the education level of the majority of companies' guards. Fifteen percent graduated or attended college. Their work experience was either in law enforcement, 39 percent, academic, 11 percent, other, 32 percent, or a combination of the above, 18 percent, see tables 12 and 13.

TABLE 12

THE EDUCATION OF THE MAJORITY OF GUARDS

		--STORE COUNT--					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
TOTAL	79 100%	4 100%	19 100%	25 100%	19 100%	12 100%	67 100%
High School	64.5	25.0	63.2	68.0	52.6	91.7	64.2
College	15.2	25.0	26.3	4.0	26.3	0	14.9
Other	5.1	0	0	0	15.8	8.3	6.0
Combined Answer	15.2	50.0	10.5	28.0	5.3	0	14.9

TABLE 13

PRIOR WORK EXPERIENCE OF THE GUARDS

		STORE COUNT					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
TOTAL	66 100%	5 100%	16 100%	22 100%	14 100%	9 100%	56 100%
Law Enforcement	39.4	40.0	50.0	31.8	50.0	22.2	35.7
Academic	10.6	0	6.3	18.2	7.1	11.1	12.5
Other	31.8	40.0	31.2	27.3	28.6	44.5	33.9
Combined Answer	18.2	20.0	12.5	22.7	14.3	22.2	17.9

Involvement in Security

Several companies were asked about the level of involvement of store management in security. Table 14 indicates that most companies (48.5 percent) expect their store managers to have total involvement in preventing losses. These managers usually work closely with the Loss Prevention Director, or sometimes they take full store responsibility due to the lack of a formal security system. Several companies (33.3 percent) also expect their managers to follow and enforce company policies and procedures and act as advisors or monitors. Overall, the responses were very encouraging. There were 132 companies that responded and 96.2 percent have some form of involvement between management and security, whereas only 3.8 percent have little or no involvement.

TABLE 14

LEVEL OF INVOLVEMENT OF STORE MANAGER IN SECURITY

Total Responses	132 100%
Total involvement	48.5
Advise/monitor procedures	33.3
Little/no involvement	3.8
Other	14.4

Attitude toward Security

Companies were asked to respond concerning their upper managements' attitude toward security. A significant portion of the companies (51.9 percent) believe security is of major importance. Some say it is their number one priority and warrants constant concern by the store management. Almost 30 percent of the companies feel that security is a definite necessity, but do not have such a strong commitment. Other issues such as inventory shrinkage and high costs have been their primary concerns. Eight and a half percent of the 129 companies that responded were also concerned and expressed the need for more training, but cost is a major factor.

TABLE 15

UPPER MANAGEMENTS' ATTITUDE TOWARD SECURITY

Total Response	129 100%
Major priority	51.9
Supportive	28.7
Concerned/need more	8.5
Not major priority	7.0
Other	3.9

Responsibilities

Companies were given a list of 30 functional areas of responsibilities and asked to categorize them into three groups: functions which are the sole responsibility of the person in charge of loss prevention, functions which are the shared responsibility of another department, or functions which are the total responsibility of another department. Four areas were listed as being solely in the domain of the chief loss prevention person by at least 70 percent of the companies. These areas were surveillance equipment (79 percent), guard service (75 percent), security training practices (76 percent), and investigations (71 percent). Table 16 shows each area of responsibility and how companies delegate the responsibility.

TABLE 16

FUNCTIONAL RESPONSIBILITIES

	TOTAL COMPANIES	LOSS PREV. RESPONSIB.	RESPON. SHARED	OTHER DEPT. RESPONSIB.
Disaster/Emergency Plans	100.0	53.7	30.5	15.8
Fire	100.0	47.8	34.4	17.8
Product Tampering	100.0	47.6	35.3	17.1
Floods	100.0	43.1	33.8	23.1
Kidnapping	100.0	53.4	29.3	17.3
Bomb Threats	100.0	61.3	25.0	13.7
Executive Protection	100.0	68.8	20.8	10.4
Fire Prevention	100.0	52.9	30.8	16.3
Alarm Equipment	100.0	69.9	20.4	9.7
Employee/Internal Theft	100.0	65.8	27.4	6.8
Customer/External Theft	100.0	65.5	27.4	7.1
Bad Check Collection	100.0	42.4	40.6	17.0
Surveillance Equipment	100.0	78.7	14.6	6.7
Guard Service	100.0	74.7	17.7	7.6

(Continued)

TABLE 16 (Continued)

	TOTAL COMPANIES	LOSS PREV. RESPONSIB.	RESPON. SHARED	OTHER DEPT. RESPONSIB.
Store Planning Regarding Security Measure	100.0	39.6	47.9	12.5
Computer Security	100.0	24.7	40.7	34.6
Coupon Fraud	100.0	41.5	42.6	15.9
Vendor Control	100.0	44.9	42.0	13.1
Store Audits	100.0	22.9	54.2	22.9
Hiring/Selection Practices	100.0	21.2	34.4	44.4
Security Training Practices	100.0	76.2	15.9	7.9
Sanitation	100.0	22.5	34.8	42.7
Store Equipment Damages	100.0	28.6	39.6	31.8
Robbery	100.0	68.6	19.0	12.4
Check Cashing Procedures	100.0	38.3	44.9	16.8
Investigations	100.0	71.4	18.4	10.2
Employee & Customer Accidents	100.0	26.5	38.8	34.7
Damaged Goods Control	100.0	23.2	36.4	40.4
Maintenance	100.0	17.0	33.0	50.0

The top five functions which are most likely to be shared with another department were security measures in store planning (48 percent), computer security (41 percent), coupon fraud (43 percent), check cashing procedures (45 percent), and store audits (54 percent). Functions which are most likely to be the total responsibility of other departments, other than loss prevention, are damaged goods control (40 percent), sanitation (43 percent), hiring/selection practices (44 percent), and maintenance (50 percent).

Table 17 shows the company departments which share responsibilities with loss prevention. Operations, by far, is most likely to be named as working with loss prevention. Following operations are store management, top management and the financial department.

TABLE 17

OTHER DEPARTMENTS SHARING
FUNCTIONAL RESPONSIBILITIES WITH LOSS PREVENTION

	TOTAL	STORE COUNT 1	2-10	11-49	50-100	100+	Security L. Prev.
TOTAL RESPONSES	887 100%	113 100%	243 100%	272 100%	198 100%	61 100%	641 100%
Top Management	12.9	29.2	25.5	5.2	2.0	1.7	7.0
Store Management	13.9	18.6	24.7	9.6	7.6	1.7	11.6
Data Processing/MIS	2.5	.9	0	3.3	4.0	6.6	3.1
Risk/Safety	3.6	0	0	4.4	7.6	8.2	4.8
Human Res./Personnel	4.1	.9	4.5	2.9	5.1	9.8	4.2
Sanitation/ Quality Assurance	.7	0	.4	.7	.5	3.3	.9
Store Planning/ Engineering/ Construction	5.3	0	0	9.2	7.6	11.5	4.7
Acctg/Finance/ Controller/Auditing Credit/Etc.	10.1	.9	6.6	14.0	12.1	18.0	11.4
Front End	1.6	9.7	.8	0	.5	0	.3
Operations	23.7	0	19.4	29.0	33.8	27.9	30.3
Distrib./Warehousing	.2	0	0	0	.5	1.6	.3
Maintenance	3.0	6.2	1.7	3.3	3.5	0	3.1
District/Reg'l Manager	.6	0	0	.4	.5	4.9	.8
Store Departments	2.2	6.2	4.1	.7	.5	0	2.2
Headquarters/Departments	7.5	5.3	6.2	11.8	6.6	1.6	8.1
All Departments	1.8	11.5	1.2	0	0	0	.6
Outside Company/ Contract	1.2	3.5	1.6	.7	0	1.6	.8
Other	5.1	7.1	3.3	4.8	7.6	1.6	5.8

Those departments which are more likely to have sole responsibility in various loss prevention functions are the same as for sharing responsibility, although in a different order: store management, mentioned 17.8 percent of the time, top management (17.4 percent), and operations (13.5 percent).

Large companies, those with over 100 stores, will often give Maintenance many loss prevention responsibilities; For companies operating 50 to 100 stores, its the Human Resources department; for those with 11 to 49 stores, its Operations; and for those with 10 or fewer stores its store or top management.

TABLE 18

DEPARTMENTS OTHER THAN LOSS PREVENTION WITH SOLE RESPONSIBILITIES

		STORE COUNT					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
TOTAL RESPONSES	540 100%	69 100%	186 100%	162 100%	79 100%	44 100%	21 100%
Top Management	17.4	34.8	33.3	4.3	1.3	0	14.7
Store Management	17.8	26.1	36.0	6.2	1.3	0	13.1
Data Processing/MIS	3.0	2.9	.5	4.9	3.8	4.6	3.7
Risk/Safety	2.8	0	0	1.2	16.4	0	4.7
Human Res./Personnel	9.3	2.9	2.7	11.7	22.8	13.6	14.0
Sanitation/ Quality Assurance	1.5	0	0	1.9	5.1	2.3	2.2
Store Planning/ Engineering/ Construction	1.8	0	0	2.5	5.1	4.5	2.2
Acctg/Finance/ Controller/Auditing	7.8	8.7	2.7	10.5	11.4	11.4	8.1
Front End	.5	0	1.6	0	0	0	.3
Operations	13.5	0	6.5	29.6	8.9	13.6	13.1
Distrib./Warehousing	.5	0	0	0	0	6.8	.9
Maintenance	8.5	2.9	.5	12.4	11.4	31.8	13.7
District/Reg'l Manager	.2	0	0	0	1.2	0	.3
Store Departments	1.7	4.4	3.2	0	0	0	.3
Headquarters/Departments	6.3	0	7.0	11.1	2.5	2.3	2.5
Outside Company/Contract	2.2	4.3	3.8	0	1.2	2.3	.6
Other	5.2	13.0	2.2	3.7	7.6	6.8	5.6

Store Losses

Companies were asked to categorize the nature of their losses. They were given two charts to complete: one for losses only through theft, and the other for losses through any method.

Table 19 shows that companies overall believe theft is the greatest contributor toward loss. Companies estimated that total theft represented 63 percent of all losses. Next were check losses at 12 percent and damage or customer neglect at 11 percent.

TABLE 19

STORE LOSSES THROUGH ANY METHOD

	TOTAL	STORE COUNT 1	2-10	11-49	50-100	100+	Security L. Prev.
Total Theft	63%	61%	57%	66%	76%	56%	68%
Damage/Customer Neglect	11%	12%	13%	10%	6%	13%	9%
Equipment Losses	8%	12%	6%	7%	5%	7%	7%
Paper, Wrap, Supplies	6%	9%	8%	4%	3%	7%	4%
Check Losses	12%	18%	11%	10%	10%	16%	11%
Other	15%	3%	25%	11%	10%	14%	11%

Table 20 shows how losses occur when only considering loss by theft. Companies estimated that employee/internal theft represented 48 percent, shoplifting (32 percent), and vendor theft was a distant third (18 percent), followed by robberies (4 percent), burglaries (3 percent), and extortions (4 percent).

TABLE 20

STORE LOSSES THROUGH THEFT

	TOTAL	STORE COUNT 1	2-10	11-49	50-100	100+	Security L. Prev.
Employee/Internal Theft	48%	44%	40%	49%	60%	54%	52%
Shoplifting	32%	38%	38%	33%	19%	20%	29%
Vendor Theft	18%	18%	20%	17%	17%	20%	16%
Robberies	4%	10%	7%	3%	4%	3%	3%
Burglaries	3%	0	4%	3%	3%	3%	3%
Extortions	4%	0	0	4%	0	0	4%

Prosecution Policy and Rate

Companies were asked their prosecution policy for employees, vendors and customers. For employees, the majority of companies (58 percent) prosecute or have the employees arrested. Almost a fifth of the companies terminate their employees. Only 3 percent of the companies would do nothing about the situation or would forgive their employees, see table 21.

TABLE 21

COMPANIES' PROSECUTION POLICY FOR EMPLOYEES

		STORE COUNT					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
	129	23	41	35	19	11	75
TOTAL	100%	100%	100%	100%	100%	100%	100%
Termination	18.6	39.1	17.1	17.1	5.3	9.1	9.3
Arrest	3.9	13.1	0	2.9	0	9.1	2.7
Suspension	.8	0	2.5	0	0	0	0
Prosecute	54.2	39.1	51.2	51.4	78.9	63.6	60.0
Forgive	.8	0	2.4	0	0	0	0
Do Nothing	2.3	4.4	2.4	2.9	0	0	2.7
Other	19.4	4.3	24.4	25.7	15.8	18.2	25.3

For vendor theft, here again companies are more likely to prosecute or have the vendor arrested (62 percent). Eleven percent of the retail companies report the conduct to the vendor's company, see table 22.

TABLE 22

COMPANIES' PROSECUTION POLICY FOR VENDORS

	TOTAL	STORE COUNT 1	2-10	11-49	50-100	100+	Security L. Prev.
	123	23	39	33	17	11	71
TOTAL	100%	100%	100%	100%	100%	100%	100%
Termination	2.4	4.4	2.6	0	5.9	0	2.8
Cancellation	2.4	4.4	2.6	3.0	0	0	1.4
Arrest	3.3	8.7	2.5	0	0	9.1	1.4
Prosecute	58.5	43.5	51.3	63.6	76.5	72.7	66.2
Report to Vendor's Company	10.6	30.4	7.7	6.1	5.9	0	4.3
Do Nothing	3.3	4.3	5.1	3.0	0	0	1.4
Replace	4.1	0	7.7	6.1	0	0	2.8
Other	15.4	4.3	20.5	18.2	11.7	18.2	19.7

Four out of five retailers will prosecute or have their customers arrested if the situation warrants. With customers there are fewer alternatives to consider. See table 23.

TABLE 23

COMPANIES PROSECUTION POLICY FOR CUSTOMERS

	TOTAL	STORE COUNT 1	2-10	11-49	50-100	100+	Security L. Prev.
	132	24	42	35	20	11	76
TOTAL	100%	100%	100%	100%	100%	100%	100%
Arrest	6.1	20.8	4.8	0	0	9.1	2.6
Prosecute	78.0	62.5	83.3	71.4	90.0	90.9	80.3
Other	15.1	16.7	11.9	25.7	10.0	0	15.8

For those companies who prosecute, their rate of conviction is quite high. Eighty-three percent of the companies have a success rate of over 70 percent and 54 percent have a record better than 95 percent, see table 24.

TABLE 24

COMPANIES' CONVICTION RATE FOR PROSECUTION

		STORE COUNT					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
	109	17	31	31	20	10	69
TOTAL	100%	100%	100%	100%	100%	100%	100%
0-10%	5.5	5.9	9.7	6.5	0	0	4.4
21-30%	1.8	5.9	0	0	5.0	0	2.9
41-50%	3.7	11.8	6.5	0	0	0	1.5
51-60%	4.6	0	6.4	9.7	0	0	5.8
61-70%	1.8	0	0	3.2	5.0	0	1.5
71-80%	8.3	5.9	19.3	0	5.0	10.0	1.4
81-90%	8.3	11.7	9.7	0	10.0	20.0	7.2
91-95%	11.9	5.9	12.9	0	35.0	10.0	15.9
96-100%	54.1	52.9	35.5	80.6	40.0	60.0	59.4

Mystery Shoppers, Guards and Detectives

Sixty-four percent of all responding companies use mystery shoppers in all their supermarkets. Mystery shoppers are shoppers who are employed by the company and who will shop a store to test the honesty of the employees of the store. Companies with fewer than 100 supermarkets are more likely to have mystery shoppers in either all or none of their stores, whereas the larger companies will use them in a selected number of stores, see table 25.

TABLE 25

PERCENT OF SUPERMARKET COMPANIES EMPLOYING MYSTERY SHOPPERS

	TOTAL	STORE COUNT 1	2-10	11-49	50-100	100+	Security L. Prev.
	119	21	38	34	17	9	68
TOTAL	100%	100%	100%	100%	100%	100%	100%
Percent of Stores							
0%	24.4	47.6	26.3	17.7	17.6	0	13.2
1-10%	.9	0	0	3.0	0	0	1.5
21-30%	1.7	0	0	0	11.8	0	3.0
31-40%	2.5	0	2.7	2.9	0	11.1	2.9
41-50%	.8	0	0	0	0	11.0	1.5
51-60%	.8	0	0	0	0	11.1	1.5
61-70%	2.5	0	2.6	0	0	22.2	2.9
81-90%	1.7	0	0	0	5.9	11.1	2.9
91-99%	.8	0	0	2.9	0	0	1.5
100%	63.9	52.4	68.4	73.5	64.7	33.4	69.1

Security guards, whether company employed or hired agency personnel, are not frequently employed in stores. Only 14 percent of the companies have company guards in every store and 18 percent have contract or agency guards in every store. If companies have any guards, it is more likely to be contract guards for larger companies and company employed guards for smaller companies. Guards are normally not armed. Only 38 percent of the companies arm their guards, see tables 26, 27 and 28.

TABLE 26

PERCENT OF SUPERMARKET COMPANIES EMPLOYING COMPANY SECURITY GUARDS

	TOTAL	STORE COUNT 1	2-10	11-49	50-100	100+	Security L. Prev.
	90	17	28	28	11	6	52
TOTAL	100%	100%	100%	100%	100%	100%	100%
Percent of Stores							
0%	61.1	82.4	75.0	46.4	36.3	50.0	44.2
1-10-%	8.9	0	0	14.3	9.1	50.0	15.4
11-20%	3.3	0	0	3.6	18.2	0	5.8
21-30%	4.5	0	0	7.1	18.2	0	5.8
31-40%	4.5	0	0	7.1	18.2	0	7.7
41-50%	1.1	0	3.6	0	0	0	1.9
61-70%	1.1	0	3.6	0	0	0	1.9
91-99%	1.1	0	0	3.6	0	0	1.9
100%	14.4	17.6	17.8	17.9	0	0	15.4

TABLE 27

PERCENT OF SUPERMARKET COMPANIES EMPLOYING CONTRACT SECURITY GUARDS

	TOTAL	STORE COUNT 1	2-10	11-49	50-100	100+	Security L. Prev.
	104	19	33	29	16	7	62
TOTAL	100%	100%	100%	100%	100%	100%	100%
Percent of Stores							
0%	48.1	73.7	57.6	31.0	37.5	28.6	33.9
1-10-%	10.6	0	0	13.8	25.0	42.8	17.8
11-20%	11.5	0	9.1	20.7	12.5	14.3	16.1
21-30%	1.9	0	0	0	12.5	0	3.2
31-40%	4.8	0	3.0	13.8	0	0	4.9
41-50%	2.9	0	3.0	3.5	6.3	0	4.8
51-60%	1.9	0	0	6.9	0	0	3.2
100%	18.3	26.3	27.3	10.3	6.2	14.3	16.1

TABLE 28

IF GUARDS ARE USED, ARE THEY ARMED?

	TOTAL	STORE COUNT 1	2-10	11-49	50-100	100+	Security L. Prev.
	63	6	15	24	12	6	48
TOTAL	100%	100%	100%	100%	100%	100%	100%
Yes	38.1	33.3	40.0	37.5	50.0	16.7	37.5
No	61.9	66.7	60.0	62.5	50.0	83.3	62.5

Store detectives, although not widely used, are employed by more companies in all stores than are security guards. Thirty-nine percent of the companies have detectives in all stores. Generally, these detectives are not armed, see tables 29 and 30.

TABLE 29

PERCENT OF SUPERMARKET COMPANIES EMPLOYING STORE DETECTIVES

	TOTAL	STORE COUNT 1	2-10	11-49	50-100	100+	Security L. Prev.
	110	18	36	33	17	6	65
TOTAL	100%	100%	100%	100%	100%	100%	100%
Percent of Stores							
0%	35.5	72.2	41.7	27.3	11.8	0	16.9
1-10-%	6.4	0	2.8	6.1	11.8	33.3	9.2
11-20%	1.8	0	0	3.0	5.9	0	3.1
21-30%	4.5	0	2.8	3.0	11.7	16.7	7.7
31-40%	5.5	0	8.3	0	17.6	0	7.7
41-50%	.9	0	2.8	0	0	0	1.5
51-60%	.9	0	2.8	0	0	0	0
61-70%	.9	0	0	0	5.9	0	1.5
71-80%	2.7	0	5.5	0	5.9	0	3.1
91-99%	1.8	0	0	3.0	0	16.7	3.1
100%	39.1	27.8	33.3	57.6	29.4	33.3	46.2

TABLE 30

IF DETECTIVES ARE USED, ARE THEY ARMED?

	TOTAL	STORE COUNT 1	2-10	11-49	50-100	100+	Security L. Prev.
	77	9	21	25	13	9	58
TOTAL	100%	100%	100%	100%	100%	100%	100%
Yes	19.5	22.2	19.0	16.0	23.1	22.2	20.7
No	80.5	77.8	81.0	84.0	76.9	77.8	79.3

Preventive Measures

Table 31 presents the percentage of companies who have stores equipped with various types of preventive equipment. There are several measures which are used by most companies. For instance, the majority of companies have mirrors, 74%, observation capability from the manager's office, 75%, dissemination of literature on security to store employees, 73%, and employee training seminars on security, 67%. Most of these measures are done almost equally by all sizes of companies.

Preventive measures which are more likely to be instituted by larger companies are two-way radios, cameras, TV monitors, employee seminars on security, hot lines, and rewards. The average amount of the reward is about $40 and the average highest amount is over $200, with the amount of each increasing by the sizes of the company.

TABLE 31

THE PERCENTAGE OF COMPANIES THAT
USE SPECIFIC PREVENTIVE MEASURES*

	TOTAL	STORE COUNT 1	2-10	11-49	50-100	100+	Security L. Prev.
TOTAL	132	24	43	36	19	10	74
Two-way Radio	16.7	8.3	18.6	22.2	10.5	20.0	24.3
Regular Cameras/ Armed Robbery Cameras	27.3.	16.0	23.8	26.5	33.3	60.0	35.1
TV Monitors	36.8	23.1	34.1	44.1	40.0	55.6	45.2
Mirrors	73.6	69.2	65.9	81.6	85.0	66.7	83.5
Smoke Detectors	45.3	34.6	42.9	51.5	47.4	62.5	50.7
Observation form Manager's Office	74.8	65.4	76.6	78.9	81.0	63.6	77.2
Dissemination of Literature on Security to Store Employees	73.1	62.5	72.1	80.0	75.0	75.0	82.9
Employee Training Seminars on Security	67.2	50.0	59.5	71.9	81.0	91.7	77.3
Shrinkage Committee	27.7	20.8	19.0	38.2	20.0	60.0	29.6
Article Surveillance Devices	13.3	20.8	7.5	14.7	14.3	11.1	13.9
Hot Lines	34.8	13.0	20.0	44.7	55.0	63.6	48.1
Rewards	28.2	24.0	19.5	31.4	38.1	44.4	35.1
Security Dogs	3.1	0	0	0	15.0	10.0	5.4
Other	27.0	20.0	30.0	31.3	20.0	50.0	34.5

*Multiple answers accepted.

Parking Lots

One hundred percent of the companies with parking lots have their lots equipped with lighting. Thirty-seven percent of these companies also incorporate other types of security measures for their parking lots. Fifty-four percent of the companies have guards which patrol the lots, 17% rely on their police department to patrol and 17% have various other methods, see table 32.

TABLE 32

PERCENTAGE OF COMPANIES WITH VARIOUS SECURITY MEASURES IN OPERATION IN THE PARKING LOTS

		STORE COUNT					Security
	TOTAL	1	2-10	11-49	50-100	100+	L. Prev.
	52	4	16	16	9	7	41
TOTAL	100%	100%	100%	100%	100%	100%	100%
Guards Patrol	53.9	25.0	25.0	75.0	77.8	57.1	65.9
CCTV	1.9	0	6.3	0	0	0	2.5
Police Patrol	17.3	50.0	37.5	0	11.1	0	7.3
Manager Patrol	1.9	25.0	0	0	0	0	2.4
Employees Patrol	7.7	0	12.5	0	11.1	14.3	7.3
Other	17.3	0	18.7	25.0	0	28.6	14.6

# # #

APPENDIX

SUPERMARKET SECURITY MANUAL

TABLE OF CONTENTS

	Page
Introduction	
Establishing and Managing the Security Function	xi
Reasons for Establishing a Security Function	xi
Establish a Company Security Philosophy	xii
Law Enforcement and Retail Security Management	xiii
Responsibility and Accountability	xiv
Evaluating the Security Function	xiv
Evaluate Specific Security Procedures and Practices ..	xvi
Chapter 1 - Employee Theft	1
Basic Reasons for Employee Thefts	2
Elements of Employee Dishonesty	3
Screen Applicants to Reduce Internal Theft Risks	6
Polygraph	15
Psychological Stress Evaluator (PSE)	18
Written Honesty Tests	20
Sources of Information on Polygraph, Psychological Stress Evaluator and Written Honesty Tests	21
Policy on Employee Theft	22
Keeping People Honest	24
Approaches to Security Management	25
Prosecution of Employees	28
Insurance Considerations	28
Taking a Statement	29
Restitution	29
Chapter 2 - Front-End Security	31
How Losses Occur	31
Cashier Training	32
Dishonesty at the Checkout	35

Methods to Detect and Prevent Cashier Dishonesty 40
Auditing and Detecting Dishonesty and Inaccuracy of Scanner Operators 48
Other Security Factors to Consider in Scanning System 50
Records of Tests and Audits of Cashier Performance ... 50
Employee Purchases 53
Cash Pick-Ups at Registers 53
Cashiers' Role in Preventing Shoplifting 54
Slowing Down "Fast Change" 55
Front-End Security Checklist 56

Chapter 3 - Shoplifting 57

Shoplifting Losses Are High 57
Shoplifting Statistics 59
Preventing Shoplifting 59
Shoplifting Law 68
Observing Shoplifting 70
Apprehending Shoplifters 71
Questions to ask Local Authorities 81
Management Questionnaire for Preventing Shoplifting 82

Chapter 4 - Physical Security 83

Facts and Figures 83
Protect All Points of Entry 84
Door Locks 89
Key Control 92
Locking Systems Utilizing Removable Cores (Combinations) 93
Roof and Wall Openings 93
Accessible Exterior Windows 96
Lighting 97
Protecting the Office and Office Equipment 97
Safes 99
Alarm Systems 109
Types of Alarm Systems 109
Types of Detectors 110
Fire Alarm System 114
Choosing an Alarm Company 114
Closed Circuit Television (CCTV) 117
Physical Security Audit 120

Chapter 5 - Robbery Prevention 123

Robbery Statistics 123
Classifying the Robbers 123
Why Robbers Often Choose Supermarkets 124
How Robbers Choose Their Targets 125
Procedures for Reducing the Risk of Robbery 126
In the Event of Robbery 133
Extortion - The Remote Method For Robbery 134

Robbery Description Sheet 135
Targets for Extortionists 137
Responding to Extortionate Threats 138
Personal Profiles 144

Chapter 6 - Checks and Money 153

Check-Cashing - Policies and Procedures 153
Definition of a Check 154
Types of Checks 156
Types of Bad Checks 158
Manufacturers' Rebate Certificates 164
Policies and Procedures for Accepting Checks 165
Recovering Bad Checks - Methods and Procedures 176
Forgery 179
Counterfeit Money 181

Chapter 7 - Receiving 185

Inaccurate and Dishonest Receiving Means Lost Profits 185
Use Actual Examples to Emphasize Potential Losses 186
Causes of Inaccurate Receiving 186
Methods of Vendor Dishonesty 187
Single Receiver or Multiple Receivers 188
Qualifications of a Store Receiver 189
General Duties and Responsibilities of DSD Receiver 189
Additional Duties and Responsibilities of DSD Receiver 189
Additional Duties for Receiving Warehouse Deliveries 190
Authority of Receiver 191
DSD Receiving Methods and Control 191
Computer Applications for DSD Receiving 194
Service Personnel 194
Credit for Damaged and Spoiled Merchandise 197
Damaged Returnable Items 198
Markdown of Saleable Merchandise 198
Auditing the Receiving Function 200

Appendix 201

Forms, Guidelines and Checklist Reference 201

Selected Bibliography 261

INVENTORY SHORTAGE IN FOOD RETAILING AND WHOLESALING

TABLE OF CONTENTS

	Page
Executive Summary	iii
Introduction	1
Methodology	1
Participants	2
Retail Operations	3
Inventory Shortage	3
Calculating Inventory Shortage	6
Inventory Procedures	10
Security	19
Internal Auditors' Activities, Store and Office	21
Point of Sale	24
Direct Store Delivery	27
Distribution Center Operations	31
Inventory Shortage	31
Seal/Padlock Programs	34
Other Security Programs	37
Inventory Procedures	39
Store Billings and Adjustments	44
Internal Auditors' Activities, Distribution Center	46

PRE-EMERGENCY PLANNINGS AND DISASTER RECOVERY

TABLE OF CONTENTS

Chapter One: Crisis Management and Disaster Recovery

Chapter Two: Planning and Risk Assessment

Chapter Three: Extortion: Kidnay, Product Contamination and Bombs

Chapter Four: Fire Prevention and Civil Disturbances

Chapter Five: Weather and Natural Disasters

Chapter Six: Strike Preparation and Protecting Computer/EDP Operations

Chapter Seven: Disaster Recovery

Bibliography

Appendices

FOOD MARKETING INSTITUTE

LOSS PREVENTION CONFERENCE

March 3-7, 1985

Innisbrook, Tarpon Springs, Florida

Please complete and return if you are interested in more information on security and loss prevention:

NAME_____

COMPANY_____

ADDRESS_____

CITY/STATE/ZIP_____

FOOD MARKETING INSTITUTE

1750 K Street, N.W., Washington, D.C. 20006
Telephone: (202) 452-8444 Telex: 892722 FMI USA WSH